

was removed by the heavy demands which brought the Indian Government into the silver market in the next few years, and taxed the capacity of the mints. It was found advisable in 1905 to make an estimate of probable requirements at the beginning of each quarter, "and to spread both purchase and coining as far as possible over the whole twelve months."<sup>1</sup> Already it had been found necessary in the previous year to accumulate silver bullion in an ingot reserve, in order to have it immediately available for coinage. This stock of ingots became so important an element in the paper-currency reserve that a new step was taken in 1906, in transferring the ingot reserve to the gold-reserve fund and changing the name of the latter to Gold-Standard Reserve.

The change of name in the reserve fund was significant of the fact that the new system was so firmly established that the Indian Government considered it no longer necessary to keep the fund entirely in physical gold. The menace to the fund came no longer from the demand for gold, but from the demand for silver rupees. Hence the conclusions thus expressed in the spring of 1907<sup>a</sup>:

The primary object of the fund, now as formerly, is the effective maintenance of the gold standard, and its protection against whatever dangers may assail it. For this purpose it must always contain a large stock of gold or gold securities in a readily convertible form, on which we could draw in the event of the balance of trade turning<sup>1</sup> against India and the Secretary of State being temporarily unable to find a market for his Council bills without forcing down exchange. Hitherto, however, this danger has not actually presented itself, whereas, on the other hand, we have more than once been confronted with a temporary deficiency in our stock of rupees and with a difficulty in procuring new ones with sufficient promptitude. It is equally legitimate to employ the reserve, by whatever name it be called, to provide against this danger also.

far as possible, been observed, so as to prevent exchange fluctuations/\* —Commission on International Exchange^ 1904, 497.

<sup>1</sup> Indian Financial Statement for 1906-07, 17.

<sup>2</sup> Ibid., 25.